

## Message Text

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PAGE 01 STATE 060801  
ORIGIN EUR-12

INFO OCT-01 ISO-00 EB-08 COME-00 L-03 /024 R

DRAFTED BY EUR/SE:EJMARCOTT:CSR  
APPROVED BY EUR/SE:RCEWING  
EB:WRAU  
EB/IFO:MBOERNER

-----039471 092032Z /50

P R 091855Z MAR 78  
FM SECSTATE WASHDC  
TO AMCONSUL ISTANBUL PRIORITY  
INFO AMEMBASSY ANKARA

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E.O. 11652: N/A

TAGS: BDIS, EINV, TU

SUBJECT:COMMERCIAL DISPUTE: SINGER

REF: (A) ISTANBUL 492, (B) STATE 38839,

1. DEPT OFFS MET FEB 28 WITH VICE PRESIDENT JOSEPH SMITH AND OTHER SINGER REPS AT THEIR INITIATIVE TO DISCUSS SINGER PROBLEMS IN TURKEY. SINGER REPS JOHN BRONZO AND WALTER LUFTMAN WILL BE TRAVELLING TO ISTANBUL WEEK OF MARCH 12 AND INTEND CONTACT CONGEN. THEY ANTICIPATE ALSO VISITING ANKARA LATER IN WEEK TO MEET WITH APPROPRIATE GOT OFFICIALS.

2. DEPT OFFS MADE NO COMMITMENT ABOUT ANY CONGEN OR EMBASSY ACTION NOR WAS ANYTHING SPECIFIC REQUESTED, ALTHOUGH SINGER REPS INDICATED THEY MAY REQUEST USG SUPPORT AT SOME POINT IN FUTURE IF PROBLEMS CANNOT BE RESOLVED.

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WE DID EXPRESS SYMPATHY FOR SINGER'S DIFFICULTIES IN TURKEY, DESCRIBED GENERAL INVESTMENT/ECONOMIC/POLITICAL SITUATION, AND ASKED TO BE KEPT INFORMED OF SINGER EFFORTS SETTLE THEIR PROBLEMS IN TURKEY.

3. IN ADDITION TO CONFIRMING INFORMATION WHICH CONGEN PROVIDED BASED ON DISCUSSION WITH LOCAL SINGER MANAGER

(REF A) SINGER REPS IDENTIFIED SEVERAL ADDITIONAL PROBLEMS,

SUMMARIZED BELOW. COPIES OF SINGER MEMORANDUM PROVIDED TO DEPT HAVE BEEN POUCHED TO EMBASSY AND CONGEN.

(A) POWER GENERATOR - DAILY POWER CUTOFFS AT IRREGULAR TIMES HAVE HAMPERED PRODUCTION. COMPANY WAS NOT PERMITTED TO PURCHASE AUXILIARY GENERATORS BECAUSE OF ALLEGATION THAT INVESTMENT LEVEL ALREADY EXCEEDED AUTHORIZED AMOUNT.

(B) RAW MATERIALS - SHORTAGE OF RAW MATERIALS AFFECTING PRODUCTION. ACCORDING TO SINGER, GOT POLICY TO ALLOW STEEL IMPORTS ONLY ON OPEN ACCOUNT WILL REQUIRE PARENT COMPANY TO FINANCE IMPORTS OF STEEL OR HAVE TURKISH COMPANY CEASE OPERATIONS AND INCUR SUBSTANTIAL SEVERANCE OBLIGATIONS.

(C) COOLEY LOAN FUNDS - PROFITS FROM SUCH FINANCING WERE ORDERED BLOCKED BY GOT, BUT COMPROMISE WAS OFFERED BY GOT TO ALLOW FIRMS TO EARN RIGHT TO REPATRIATE PROFITS BY EXPORTING AMOUNT EQUIVALENT TO PROFITS. SINGER COMPLIED BUT GOT SUBSEQUENTLY REVOKED AGREEMENT (MINISTRY OF FINANCE SAYING MINISTRY OF COMMERCE DID NOT HAVE AUTHORITY FOR COMPROMISE OFFER) SO FUNDS ARE FULLY BLOCKED (DOLS 128 MILLION).

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4. SINGER IDENTIFIES OBLIGATION TO SELL 49 PERCENT OF EQUITY AS GREATEST BURDEN, PARTICULARLY AS BOOK VALUE IS ONLY ONE FIFTH OF MARKET VALUE AND FORMER COULD BE FURTHER ERODED BY CHALLENGES TO VALIDITY OF INVESTMENTS BASED ON DEPRECIATION OF PRIOR INVESTMENTS. SINGER REP CATEGORIZED GOT PATTERN OF ACTIVITY AS FORCING SINGER DECISIONS LEADING TO "INVOLUNTARY CONFISCATION".

5. EMB/CONGEN SHOULD OFFER APPROPRIATE ASSISTANCE AND CONTINUE TO KEEP DEPT INFORMED. VANCE

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** DISPUTES  
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**Review Markings:**  
Sheryl P. Walter  
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